

FORECAST—PARIS:
Sun. 70-84 (21-22). Tomorrow
Sun. 70-84 (21-22). LONDON:
Sun. 70-84 (21-22). Temp. 60-64
variable. Yesterday's temp.
NEW YORK: Partly sunny.
Yesterday's temp. 70-84

Austria	.....	1.50	Switzerland	.....	1.20
Belgium	.....	1.50	Denmark	.....	1.50
Canada	.....	1.50	France	.....	1.50
Germany	.....	1.50	Greece	.....	1.50
Italy	.....	1.50	Japan	.....	1.50
Spain	.....	1.50	Sweden	.....	1.50
U.S.	.....	1.50	U.K.	.....	1.50
Yugoslavia	.....	1.50			



Sen. George McGovern raises two fingers in a peace sign during address to a group of elderly citizens at Flamingo Park in Miami Beach, Florida.

Fight for California Vote Due As Democrats Convene Today

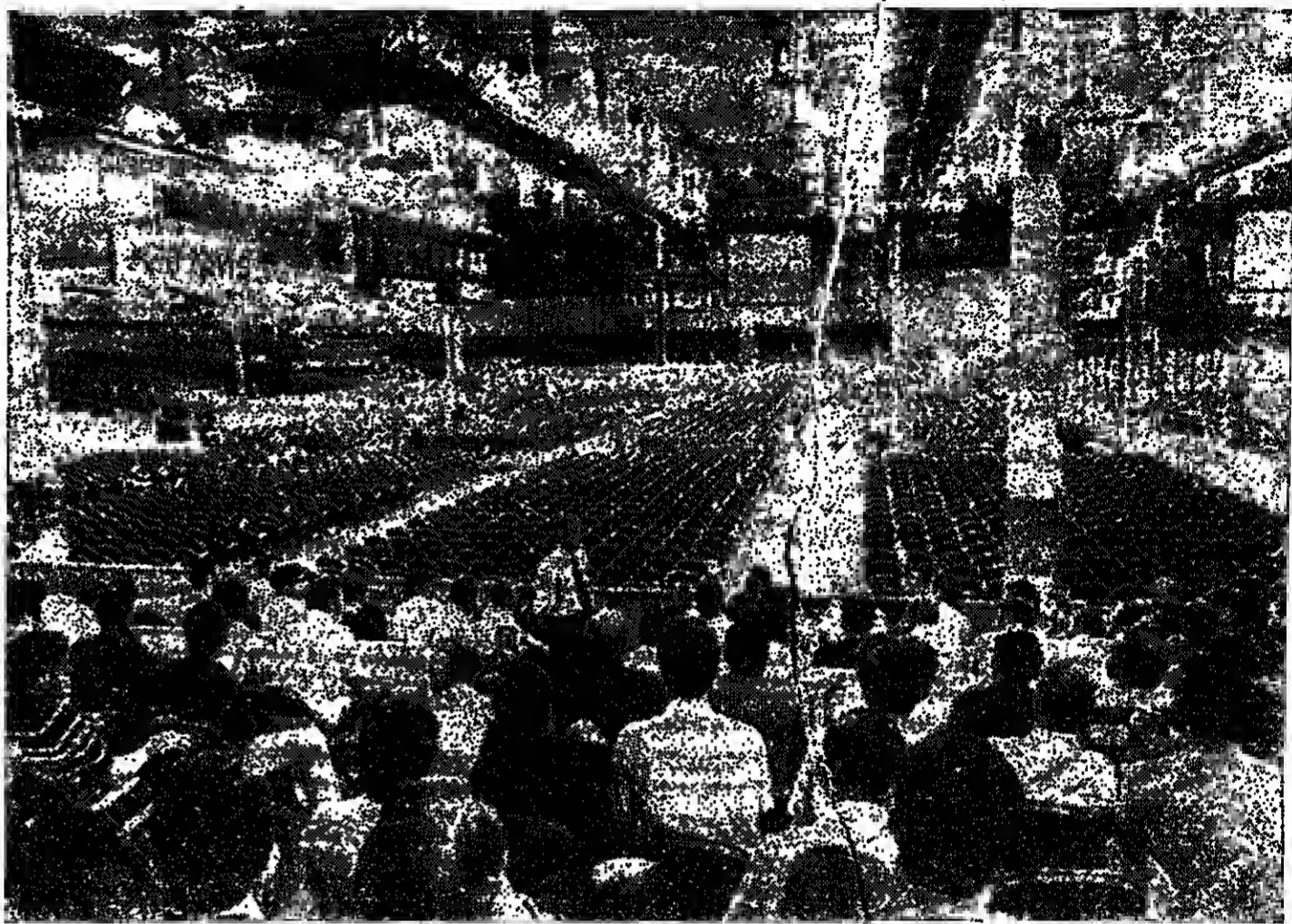
McGovern Seen Victor In Key Test

By David S. Broder

MIAMI BEACH, July 9 (WP).—Sen. George McGovern appeared tonight to have found his way around the last barrier to the Democratic presidential nomination.

A favorable rules interpretation by Democratic convention officials and an intensive daylong drive for delegate votes brought the 49-year-old South Dakotan to the verge of victory on the California credentials fight that will highlight tomorrow night's opening convention session.

If Sen. McGovern wins the California test, he seems almost certain to have ample votes for nomination on Wednesday night.



THE STAGE IS SET—General view inside Miami Beach Convention Hall during final preparation for the opening today of 1972 Democratic party National Convention. Foreground, members of a security force being briefed.

McGovern, Daley Both Rebuffed in 63 Decision

Supreme Court Upholds Party on Delegates

By Jim Mann

WASHINGTON, July 9 (WP).—The Supreme Court has blocked an appellate court's award of all 271 California delegates to the Democratic presidential front-runner, Sen. George McGovern.

The decision late Friday left the credentials fight to be settled by the Democratic National Convention this week.

The 6-3 ruling by the court was a heavy blow to Sen. McGovern and blunted his drive for

a first-ballot victory in Miami Beach. He had counted on the 151 disputed delegates to assure a quick triumph.

At the same time, the Supreme Court refused to intervene in another credentials fight involving Mayor Richard J. Daley of Chicago and 58 delegates allied with him. The Daley slate had been unseated by the Credentials Committee for breaking reform rules by excluding women, blacks and youths.

Like the McGovern forces,

Mayor Daley and his slate will now have the right to bring their case to the floor of the convention.

Sen. McGovern, who now seemed to be 200 votes short of nomination on the first ballot, reacted to the court's decision by again denouncing the Credentials Committee's action as a "steal" and "dirty pool." It reversed the winner-take-all rule in the California primary won by the senator weeks before.

"It is now the responsibility of

the delegates," he said, "to protect the rule of law and the time-honored sense of fair play. We do not change the rules of the game after the game is over."

Supporters of Sen. Hubert H. Humphrey reacted jubilantly to the news. Mr. Humphrey himself said he was confident that the convention would "decisively confirm the Credentials Committee report."

The Supreme Court decision was issued after an extraordinary emergency meeting of the justices, who formally adjourned for the summer two weeks ago.

Democrats: A Tormented Party

By David S. Broder

MIAMI BEACH, July 9 (WP).—The Democratic party, which finished its last convention on a note of violence in Chicago four years ago, assembled here tomorrow still in search of its soul.

For the last month, the air has been full of warnings that if Sen. George McGovern is nominated, it might trigger a major defection from the party's center.

On the other hand, since the California credentials challenge made it seem possible that Sen. McGovern might be defeated here, the senator himself has raised the specter of a third party on the left.

And, finally, there remains the question mark on the right posed by Gov. George C. Wallace. Will he take his constituency out of the Democratic party again and run an independent campaign? Will he make common cause with Mr. Nixon and the Republicans?

That would enroll most of the potential 25 million, first-time presidential voters and, thereby, fundamentally alter the American electorate, not just for the presidential contest but in congressional and local races as well, shifting the entire spectrum of government significantly to the left.

Others—like columnist Kevin Phillips and, apparently, Joseph Alsop—see a McGovern nomination creating a vast exodus from the Democratic party of some of its strongest constituency groups. If union men, Roman Catholics, Jews and perhaps Gov. Wallace's followers shift to Mr. Nixon, they foresee a new Republican majority with a major presidential victory and perhaps even Republican control of Congress.

My own suspicion is that neither party will achieve a durable new majority coalition

from this year's election. The men involved in the contest for national leadership this year—including President Nixon—do not look that compelling. The centrifugal forces seem too powerful for any of them to command.

As Massachusetts Institute of Technology political scientist Walter Dean Burnham has pointed out, while the situation may be ripe for party realignment, there is one significant difference between 1972 and the earlier years of so-called "critical elections"—1800, 1860, 1932: Each of those years was dominated by a single deeply felt issue and a national crisis. These included slavery and the union; populism, free silver and the tariff; the Depression and the welfare state.

This year, the issues are deeply felt but they cut across one another.

(Continued on Page 4, Col. 1).

"For nearly a century and a half," the court's majority said, "the national political parties themselves have determined controversies surrounding the seating of delegates to their conventions."

"It is this system is to be altered by federal courts... It should not be done under the circumstances and time pressures surrounding (these) actions."

The six-member majority comprised Chief Justice Warren E. Burger and Justices Lewis Powell, William Rehnquist, Harry Blackmun, Potter Stewart and William Brennan.

Dissenting Justices Thurgood Marshall and William Douglas contended that although the court was formally granting stays that simply block the appellate court rulings temporarily, the court was in effect deciding the cases.

"I believe that our duty lies in effect deciding the cases."

(Continued on Page 4, Col. 7)

End of Gunfire in Belfast Streets As End to Ulster Truce, 5 Killed

MIAMI BEACH, July 9 (WP).—Almost immediately British troops came under fire in the Catholic strongholds of Belfast. In the town of Jonesborough, in County Armagh, a bomb exploded, damaging the local post office.

Several soldiers were reported injured, at least two by gunfire, others by stones.

The truce, which went into

effect at midnight on Monday, June 28, came close to ending some three years of bitter violence in Northern Ireland, and both the IRA and the army had appeared to be striving hard to avoid incidents that might jeopardize the truce.

The incident that ended the truce came as the two wings of the IRA (Continued on Page 2, Col. 3)

But Adds Cautionary Note

Kissinger Sees Hanoi Ready For 'Serious Negotiations'

By Eileen Shanahan

SAN CLEMENTE, Calif., July 9 (NYT).—Henry A. Kissinger, the President's assistant for national security affairs, said yesterday that he has "some reason to believe" that the government of North Vietnam is ready for "serious negotiations" looking toward an end of the war.

He cautioned, however, that the United States could not be sure of this "until we've heard from them" when the peace talks resume in Paris this week. He does not want to "raise expectations that we cannot fulfill," he said.

Mr. Kissinger gave his somewhat optimistic-sounding forecast at a news briefing at the Western White House. He described his view of the prospects for the negotiations as "open-minded" rather than "optimistic." The latter word was used by one of his questioners.

Mr. Kissinger did not explain the basis for his statement that "we have some reason to believe there will be a new approach" from Hanoi, other than to say that there has been "very intense diplomatic activity" during the more recent part of the period

since May 4, when the peace talks were broken off.

Also absent were any details of the changed position he was expecting in the attitude of the Hanoi government.

The key sticking point in the peace negotiations has become the future of the present government of South Vietnam. The North Vietnamese government has proposed establishment of a coalition government in the South, an idea that the Nixon administration has rejected before and one that Mr. Kissinger termed yesterday "a thinly veiled device to bring about a Communist-controlled government."

But Mr. Kissinger appeared to think that there might be some movement on the question of the future of the Saigon government which, he said, is "an extremely time-consuming, complex issue."

"It would be better" to have this issue "discussed by the Vietnamese themselves," he said.

The improved climate for negotiations that he believes he sees does not mean that either side

(Continued on Page 2, Col. 2)

Under Three-Year Accord

U.S. to Sell Russia \$750 Million in Grain

By Philip Shabecoff

WASHINGTON, July 9 (NYT).—In what administration officials described as the biggest grain transaction in history between two countries, President Nixon yesterday announced a three-year agreement to sell the Soviet Union at least \$750 million worth of American wheat, corn and other grains.

amount of credit outstanding to the Soviet Union would not be allowed to exceed \$500 million.

The grain agreement, signed yesterday morning by Mr. Peterson, Mr. Butz and the first Deputy Minister of Trade for the Soviet Union, M. R. Kuzmin, will increase U.S. agricultural exports

by 17 percent during the next three years.

Under the agreement, the Soviet Union will purchase grain on the commercial market from private grain dealers in the United States. Administration officials declined to say what companies would be involved, but industry sources said that the Continental Grain Co. and the Cargill Corp. would be among the major suppliers.

The Bunge Corp. also was understood to be negotiating actively with the Russians.

Smith Triumphs At Wimbledon

WIMBLEDON, England, July 9.—Stan Smith won the men's singles crown at Wimbledon with a 4-6, 6-3, 6-3, 4-6, 7-5 victory over Romania's Ilie Nastase today. Smith, from San Pines, S.C., gave the United States its first title in the men's section of the tennis tournament since Chuck McKinley went all the way in 1962. Story on Page 15.

At a briefing at the Western White House today, Mr. Kissinger said that the agreement was "a significant step toward normalizing relations between the United States and the Soviet Union."

He also said that the agreement was "a significant step toward normalizing relations between the United States and the Soviet Union."

(Continued on Page 2, Col. 4)

Arab Guerrillas Vow Revenge

PFLP Aide Dies as His Car Is Bombed

By Jim Hoagland

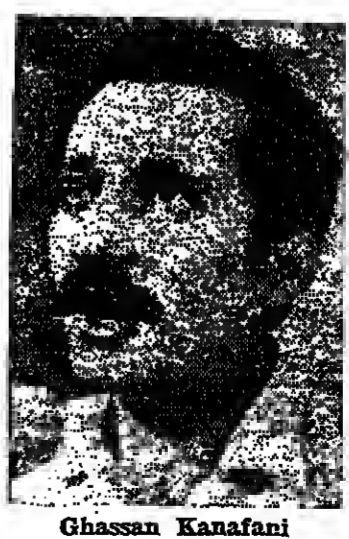
BEIRUT, July 9 (WP).—Ghassan Kanafani, spokesman for the Popular Front for the Liberation of Palestine, was killed yesterday when a bomb exploded in his car.

Mr. Kanafani's 19-year-old niece, Lami Najem, who was a passenger in the car, was also killed.

The bomb exploded at about 10:30 a.m. when Mr. Kanafani turned on the ignition of his small British-made automobile outside his home in the Beirut suburb of Hazmiya.

Lebanese police said they were investigating the blast. The PFLP immediately issued a statement that asserted that "the imperialist Zionist camp" was behind the assassination, whoever may have actually planted the bomb.

The organization vowed revenge for Mr. Kanafani's death. Its "reply to the enemy this time



Ghassan Kanafani

not rule out the possibility that Mr. Kanafani's murder may have been connected with Arab guerrillas and competition within the Palestinian movement, although the stressed that there was no evidence of this immediately available.

The PFLP's strongly pro-Marxist ideology brought it into conflict with a number of conservative Arab governments that support other Palestinian groups principally al-Fatah, the largest and least ideologically inclined guerrilla force.

Some Palestinians blame the popular front for provoking the clashes between the guerrillas and the Jordanian Army that resulted in the guerrillas being expelled from Jordan after heavy Palestinian losses last year.

The popular front's spectacular airship hijackings and its political consistency had been winning increasing support among

(Continued on Page 2, Col. 7)

The Convention

In one of the books of his middle period, that eminent social historian, Pelham Grenville Wodehouse, tells the affecting story of two men, named Nicholls and Jackson, who rode toward Brighton on a tandem bicycle. A collision with a brewer's van ensued, and the two were so mashed together that rescuers could only assemble as much as possible and call the result "Nixon."

Now this story was published at a time when Richard Milhous Nixon was still in Whittier College, so the story had no political significance. Nor, must it be added, has President Nixon—although we have heard much of the "New Nixon" and the "Old Nixon"—usually been considered a mélange. But the tale has a point today because the national convention is beginning in Miami Beach, and one of its great, if often unrecognized, functions is to run a brewer's van into a collection of candidates and come up with a composite.

This has been held against the convention system by the purists, and it can, of course, be carried too far. No one really expects the Democrats to nominate, as thousands cheer, something called McWallphrey for President, with, say, Sen. Muskenedy as his running mate. But the two-party system, even while the Electoral College remains to give a geographical twist to the results, presupposes a candidate who can have at least a fighting chance of enlisting a majority of the voters. And in a polyglot nation of more than 200 million, stretching from Bar Harbor to Kanaal and from Key West to the Aleutians, this requires filing off the sharper edges of a lot of ideological differences and personal aspirations.

The next few days in Miami Beach should demonstrate whether the Democrats, both

of the new and the older breed, acknowledge this harsh fact. So far, there are not too many signs of such recognition. The party has recast its methods of choosing delegates to give far greater voice to the women, the blacks and the young. In theory, this should produce a far more representative set of candidates and platform proposals. In fact, unless the newly strengthened segments of the party realize that they are in Miami Beach to find someone who can win against Richard Nixon, rather than to impress their colleagues, there may be chaos and fragmentation.

This is not simply a matter of party loyalty. That quality has been so diluted among the American electorate that, even if the convention delegates hold to it staunchly, and the candidates, potential and actual, give it their support, it will have no necessary effect at the polls. What the conventions are expected to do is to offer platforms and nominees which will exhibit that range of difference between the two parties, which is acceptable to the public and practical for the administration of a large and populous nation.

The process is usually repugnant to those who hold extreme convictions and requires a degree of compromise that many of them will not accept. But short of a revolution, and the dictatorship of right or left, what are the alternatives? More parties only mean more compromises at the upper reaches of government: half-line victories, ruthlessly enforced by the victors in convention, usually lead to futility and defeat. The true play of ideology must come at local and congressional levels—there it can have both practical expression and educational effect. The national convention is, and of right ought to be, a political melting pot.

Jets for Peking

An export permit by the administration is not the same thing as a firm order from the Chinese People's Republic for 10 Boeing-707 jets. Nevertheless, a major advance has been made by the White House decision. The principle has now been established that the Chinese are entitled to buy products of advanced American technology even when—as in the case of the 707s—these products could have ancillary military significance. The implications of this principle for American exports to China of other highly specialized products—for example, computers—are self-evident.

In conversations with Americans and others during the past year, Premier Chou En-lai has often emphasized the theme that his country is still poor and in an early stage of development. That accurate statement is not contradicted by the Chinese tests in producing nuclear weapons and long-range rockets, and orbiting several earth satellites. With a relatively small cadre of highly trained scientific and technical personnel, the Chinese concentration of scarce human resources on military research and development has inevitably been at the cost of nonmilitary needs.

There is a vast scope for modernizing virtually every area of the Chinese economy; and if that modernization is to be accomplished expeditiously, Peking needs help from abroad. The White House decision on the Boeing jets implies strongly that the United States is willing to be among the

foreign nations helping the Chinese modernize and industrialize in the years ahead—just as American firms did for the Soviet Union nearly a half-century ago.

The political barriers to American technological assistance to China were effectively broken down by President Nixon's visit to Peking and his cordial reception there. But there are still important economic barriers. The Chinese would like to buy far more machinery and technical assistance from the West generally and the United States in particular than they can pay for in cash. But it is not yet clear how credit arrangements can be established for the Chinese in view of the slight volume of Chinese exports to this country. Expansion both of Chinese sales to the United States and of American tourism to China is desirable, though there are at present serious limitations on China's capacity to provide for visitors in large numbers.

The American and Chinese economies are much more complementary than competitive. Both countries have much to gain in the future from expansion of their economic relationship, though rapid progress will be impossible if American credits are not made available. But for the moment the indication is that in both Washington and Peking the political will exists to end the isolation of the past and to initiate a new and mutually beneficial era of increased trade and contacts.

THE NEW YORK TIMES.

International Opinion

Improving Political Climate

It seems unlikely that the two Koreas can really be reunited until the North ceases to have a hardline Communist regime or the South abandons its Japanese-influenced industrial society. Yet what matters is not now the two Koreas might merge—if ever—but that they should have agreed so unexpectedly to talk to each other about their mutual interests, thus giving hope for a general improvement in the political climate in the tricky corner of Asia.

This move by the two Koreas, like the agreement between the two Germans, can be traced directly to the new relationships established by President Nixon with both Russia and China. There seems little doubt that, before long, this desire by the big powers to cool the international climate will lead the way, too, for an agreement in Vietnam. These developments are likely to influence developments more decisively.

All these moves add up to making the world a safer place than at any time since Hitler embarked on the remilitarization of Germany. Despite nuclear arsenals and regional wars, a world war is less likely today than for a very long time.

—From the Observer (London).

Brandt Without Schiller

Mr. Brandt's Socialist-Liberal coalition government in Bonn has suffered a heavy blow with the much-heralded resignation of one of its leading members—the leading member after Mr. Brandt himself, in fact—Prof. Karl Schiller, minister of finance and economics. Mr. Schiller has always been a controversial figure in the Bonn government, both for his economic and financial policies, which enraged the left wing of the Social Democratic party, of which he is a member, and for the pugnacity and determination with which he was accustomed to expound and apply them.

—From the Daily Telegraph (London).

In the International Edition

Seventy-Five Years Ago

July 10, 1897

CONSTANTINOPLE—In the last week the Turkish authorities have refused to allow four Greek ships to pass the Dardanelles. The reason given is that the free passage of the Straits to Greek ships is inconsistent with the defense of the Empire. The real reason is, however, a desire on the part of the Turkish authorities to avoid any possible conflict or collision between Greeks and Turks. It is too early to tell if this decision will avoid or provoke a crisis.

Fifty Years Ago

July 10, 1923

PARIS—Ex-Postmaster-General Will Hays, as "movie" arbiter, seems to be sincerely striving to "make good." Every right-thinking person on this globe, if he thinks of the matter at all, will hope that he succeeds. How much of the future moral and intellectual trend of the race depends on the "movies" it would be difficult to estimate, but a great many people go to see them, children included. And therefore, they must and should be supervised.



"The Battle Is to Decide Who Gets to Ride Me in the Big Race."

The Red Hand of Ulster

By C. L. Sulzberger

BELFAST—There is no more suitable national symbol than the Red Hand of Ulster, recalling an avid Celtic chieftain who chopped off his hand and heaved it ashore to claim this bloody land. The only other Red Hand I know was a secret French terrorist organization that specialized in killing Algerian patriots. Ulster's red hand reaches out for anyone.

If you drive through this drab capital now divided by steel and cement barricades erected by the Protestant Ulster Defense Association, you get the mood through slogans smeared on building walls: No Surrender... I.R.A. Bastards... U.D.A. Rules... This is Protestant Belfast... Young Lads John Fiamma Eirann (a Catholic republican society). Thanks to intimidation and burning down of nonconformist blocks, partial segregation is becoming full apartheid based on religion. Britain's Army, here as the token of law and order, is constrained to follow an aggressive low-profile policy while the IRA murders and the UDA, burly in camouflaged jackets and military caps, hijack buses to move their units and strut in their 100 percent Protestant warrens.

Unhappy Island

Ireland is an unhappy island where men in both parts talk like poets, walk and think like 17th-century soldiers, and abjure the practice of logic. In the South Protestants are second-class citizens, in the North Catholics are second-class citizens. Here in Ulster, people are being unwillingly conditioned to a kind of lawlessness. The moderate majority is disintegrating as atavistic hatreds take over. Next week the great Protestant holidays begin, honoring battles and sieges of the past.

Sturdy paraders from the Orange Order will march behind their thunderous lambey drums, not held adequately played until the drummer's thoughted wrists bleed. Their noise is designed to encourage Protestants and frighten Catholics—and it does. Also next week the bonfire season starts with each side stacking pyres within its tribal enclaves.

Letters

Weather War

There is no ethical difference between bombs and rain as a weapon (JBT, July 4). If you feel entitled to bomb people back to the Stone Age, you sure can have them sunk under water. But meteorological warfare has one drawback. Each time a flood develops in the future in or around Vietnam or some other place, people will start thinking it's a part of some American weather program.

NGUYEN XUAN CHANH,
Clermont-Ferrand, France.

Enough Is Enough

Hope that by the time you receive this Hank Ketchum, the Dennis the Menace creator, has hung up his pasta pot.
H. JOHNSON,
Levallois, France.

Beyond Their Means

What strikes me more than anything else, when reading about the monetary difficulties

of the so-called rich nations, is their utter foolishness. They all live beyond their means and expect monetary agreements to hold. This is impossible.

The businessmen and the traveling public are soon aware that the economic position of a country is unsound, and if convinced that the government of that country cannot or will not take the appropriate steps to remedy whatever is wrong, no agreement, no floating currency and no gold reserves will stop inflation or prevent currencies to deteriorate; also devaluation is no remedy; it is an immoral stop-gap.

AMIL WINKELMAN,
The Hague.

Broken Dikes

I suggest to Anthony Lewis that the dikes in North Vietnam (JBT, June 27), are being broken by East German freighters trying to find their way to the sea.
R. W. DAVIS,
Madrid.

As Convention Opens

McGovern's Threat

By James Reston

MIAMI BEACH—His interview with Richard McGovern says he has "earned" the Democratic nomination. McGovern adds that if the old establishment politicians gang up and deny him, "I would run as an independent ticket."

Well, it's easy to understand the senator's amazement here to last-minute maneuvers here to stop him, especially after he had all 271 California votes, but this is nothing less than a threat to throw the election at Richard Nixon, and should be withdrawn for several reasons.

First, McGovern has been the leader in arguing for a more representative and open convention to pick the candidate, but now he's trying to bag the prize before the delegates even answer the roll call, as threatening to bolt the party doesn't get his way.

Chances Are Good

Second, McGovern's chances of winning the nomination by a fair and open vote of the delegates are very good, and the chances of winning the election, if he threatens and intimidates the McGoverns and the Debs and the other old pros, are very bad.

Finally, the main purpose of the Democratic party assembled here in convention is not to reward McGovern for winning primary elections which do not necessarily represent his strength in the nation as a whole, but to pick the man who has the best chance to win in November.

This is obviously a matter of opinion. My own is that the Democrats cannot win unless they manage to organize, register, and win the allegiance of the vast majority of the 26 million newly eligible voters, and that McGovern has a better chance of doing this now than any of the other candidates, but many are knowledgeable observers disagree, and this is what the delegates are convened here to decide.

Besides, George McGovern has come to the top of the heap, not by issuing threats, but by impressing a great many voters that he is a fair and straight man with a good organization, strong convictions about the need to change the mood and the pressing issues of American public life, and a better change than most of narrowing the serious gap between the generations and between the rich and the poor.

It is true that he has put forward proposals for cutting defense expenditures, ending the war, and redistributing the wealth of the nation that have turned off many voters, put his party on the defensive and made his policies, rather than President Nixon's, the dominant controversy in the current debate.

But this does not prove that he has lost more voters than he has gained by insisting on fundamental changes in the allocation of the nation's resources. He has been sloppy with his arithmetic, but he has foreseen the coming issues of tax and welfare reform, defense expenditure, unemployment, inflation, health insurance, and education, and even if he loses by facing these hard and fundamental questions, an election fought out on these realities will at least clarify the problems and purposes of the nation.

After all, what we are doing in Miami Beach now and in August is picking a President of the United States who will preside over the 200th anniversary of the Declaration of Independence in July of 1976.

Few generations of Americans have had the opportunity of participating in a ceremony of comparable historic importance, and there is obviously much to be done and much to be changed in our common life if we are to have a more united people and a more perfect union on July 4, 1976.

We are not a united nation now. We are divided on the war, on the role of the nation in the world, on the control of our population, and the maintenance of our health and environment. Our cities are bankrupt and overwhelmed with problems and it is hard to find any large sector of our people, rich or poor, young or old, black or white, factory worker or farmer, that is not restless and dissatisfied with the present state of our public affairs.

The Great Issue

This is really the great issue to be tackled in these coming four years before the 200th anniversary of the Declaration, and it gives us some guidance on what kind of leadership the nation requires. Is this a time for innovation or for conservative leadership? So far in this election, however, and certainly not here in Miami Beach, we have heard very little about these larger purposes of the election.

Instead, what we are getting are arguments over the legalities of the primary votes and the actions of the credentials committee, and from Secretary of Defense Laird, the morality of militarism. And now from George McGovern come threats of an independent race, which would clearly split the Democrats and assure the continuation of the Nixon policies McGovern presumably came into the campaign to defeat.

Well, democracy is not a tidy process, and much of this convention maneuvering was probably unavoidable, but we have had government by manipulation under both Johnson and Nixon, and McGovern is not likely to win acceptance of his "peace politics" if he reverts to the techniques of the old.

McGovern and Tax Loopholes

By William F. Buckley Jr.

MIAMI BEACH—Little by little the analysis rolls in, to the considerable disadvantage of Sen. George S. McGovern who, even as he has now embraced the cause of Israel more hawkishly than anyone since Gen. Dayan, will surely, sometime before Election Day, deliver a pean on the tax loophole.

A fortnight ago Stewart Alsop reported that a big McGovern banker from California, who had made a fortune in computers, consulted his computers, feeding them one of Sen. McGovern's formulas for bringing wealth to the needy, and discovered that \$42 billion was missing. In fact, just one of the redistributionist schemes proposed by Sen. McGovern was underfunded by a mere \$42 billion. The banker was not the man best suited to question the reliability of computers so it is known whether he will finally back off from his computers or from his candidate.

Now the Economics Division of the Mellon Bank in Pittsburgh, in its newsletter, makes a few gentle comments about the loopholes Sen. McGovern is forever talking about. Do you remember the one about all the people who reported gross incomes in excess of \$200,000 in 1970 who paid zero taxes? High indignation set in every time Sen. McGovern mentioned the matter. What he did not mention is that there were exactly 106 such cases, and that a study of them reveals that the overwhelming majority either a) paid taxes to foreign countries receiving the usual tax credit; or b) paid state taxes; or c) had deductions sanctioned by law. Sen. McGovern also did not men-

tion that there are in fact 15,000 American citizens who reported incomes in excess of \$200,000 who did pay income taxes—at an effective tax rate of 44 percent.

Nor does Sen. McGovern stress the use of loopholes to people who are not necessarily rich. For instance, the joint return permitted husband and wife, in the absence of which loophole the government would realize \$6 to \$10 billion in additional revenue.

The new tax law of 1969, regularly disparaged as a rich man's tax law, deserves to be criticized for any number of reasons, all of them, however, more complicated than those Sen. McGovern comes up with. That tax law reduced the rate of income taxation by 88 percent for those earning \$3,000 or less; by 42 percent for those earning \$3,000 to \$5,000; by 27 percent for those earning \$5,000 to \$7,000—and so on, with a reduction of 1.7 percent for those earning \$50,000 to \$100,000; and an increase of 7 percent for those earning \$100,000 and over.

But the figures are tiresome, when put beside the principal point, which is that over the years Congress and the Executive have done what they thought best to affect the allocation of resources. The Mellon Bank's economic newsletter sums it up: "For example, if (the tax law) is used to encourage home ownership, to lower the cost of borrowing to state and local governments, to increase the value of retirement and unemployment benefits, to lower the cost of medical care, and to encourage private philanthropy. Reasonable men can disagree on whether or

not the individual income tax law is the proper vehicle through which such objectives should be accomplished. But it is clear that proposals to abolish the existing set of tax preferences, unless accompanied by other positive measures, imply a repudiation of the objectives which originally led to the establishment of the preferences."

Consequences

It is quite literally that simple: Should Congress, or should it should encourage married couples, not encourage married couples, home owners, the sick, the economically venturesome? Candidates McGovern will in due course need to face up to the consequences of his rhetoric.

When he does so, I for one wish that he might say something truly radical. Radical, that is not the proper business of it is not the proper business of a government to attempt to manipulate human economic behavior by a tissue of built-in biases in the tax law. The trouble with the idea of making justice via tax laws is that one never really knows what it is that one is accomplishing, who it is that one is benefiting. Professor Friedman is barking. Professor Friedman has over and over again demonstrated that efforts by the government to give the little man a break by this or the other well-timed subsidy end by hurting him. A true break with economic interventionism would see McGovern venturing out against risky-dink coming out against risky-dink tax laws, against all deductions (except obviously justified deductions), in favor of the elimination of the progressive features of the income tax, and in favor of a maximum tax rate of 20 percent.

سكروان الاجل

Bond Sales on the New York Stock Exchange

International Stock Market

EUROBONDS

STRAIGHTS

Symbol	Price	Change
Am. Lines 81	99 1/2	+1/2
Am. Lines 82	100 1/2	+1/2
Am. Lines 83	101 1/2	+1/2
Am. Lines 84	102 1/2	+1/2
Am. Lines 85	103 1/2	+1/2
Am. Lines 86	104 1/2	+1/2
Am. Lines 87	105 1/2	+1/2
Am. Lines 88	106 1/2	+1/2
Am. Lines 89	107 1/2	+1/2
Am. Lines 90	108 1/2	+1/2
Am. Lines 91	109 1/2	+1/2
Am. Lines 92	110 1/2	+1/2
Am. Lines 93	111 1/2	+1/2
Am. Lines 94	112 1/2	+1/2
Am. Lines 95	113 1/2	+1/2
Am. Lines 96	114 1/2	+1/2
Am. Lines 97	115 1/2	+1/2
Am. Lines 98	116 1/2	+1/2
Am. Lines 99	117 1/2	+1/2
Am. Lines 100	118 1/2	+1/2

Domestic Bonds

Symbol	Price	Change
Am. Lines 81	99 1/2	+1/2
Am. Lines 82	100 1/2	+1/2
Am. Lines 83	101 1/2	+1/2
Am. Lines 84	102 1/2	+1/2
Am. Lines 85	103 1/2	+1/2
Am. Lines 86	104 1/2	+1/2
Am. Lines 87	105 1/2	+1/2
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Am. Lines 97	115 1/2	+1/2
Am. Lines 98	116 1/2	+1/2
Am. Lines 99	117 1/2	+1/2
Am. Lines 100	118 1/2	+1/2

Bond Sales on the New York Stock Exchange

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Am. Lines 81	99 1/2	+1/2
Am. Lines 82	100 1/2	+1/2
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Dewazay, Cortvisant International S.A. Dresdner Bank Eastman Dillon, Union Securities & Co. Edifont, S.p.A.
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Siege social : Luxembourg.
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Messieurs les actionnaires sont convoqués par le présent avis, contrairement à ce qui a été indiqué dans l'annonce parue dans le International Herald Tribune en date du 27 juin 1973 et annulée par la présente, à l'Assemblée Générale Ordinaire des Actionnaires qui se tiendra le 11 août 1973 à 10 heures, au siège social avec l'ordre du jour suivant :

ORDRE DU JOUR

- 1) Rapports du Conseil d'Administration et du Commissaire;
- 2) Approbation du bilan et du compte de Pertes et Profits au 31 mars 1973; répartition du bénéfice;
- 3) Décharge à donner aux administrateurs et au commissaire;
- 4) Démissions d'administrateurs;
- 5) Nominations statutaires;
- 6) Divers;

LE CONSEIL D'ADMINISTRATION.

Symbol	Price	Change
Am. Lines 81	99 1/2	+1/2
Am. Lines 82	100 1/2	+1/2
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Monumental Effort

Mezzogiorno Shows Gains, But Gap With North Remains

ROME (UPI)—The efforts to eliminate the gap between Italy's industrialized North and its impoverished South during the past 20 years have been monumental. And still the gap exists.

Not that progress has not been made. There has been an enormous improvement in per capita income of southerners from 1950 to 1970, from \$220 to \$800. But that remarkable achievement has merely prevented the economic gap from widening; it has not decreased it.

The \$13 billion fed into the south—the so-called Mezzogiorno, which includes Sicily and Sardinia—through the Cassa per il Mezzogiorno (Fund for the South) has provided a modern infrastructure for development and incentives for attracting industry. But despite the appearance of scores of foreign firms, and despite an increase in investment by state holding companies of almost 600 percent during the past 10 years, the number of jobs available in the South has decreased.

In 1960, there were 3.6 million persons employed in agriculture in the South; today there are half that number. Yet the huge increase in industrial investment since 1960 has added fewer than 160,000 jobs.

Different Views

There have been a number of explanations of why the efforts directed toward the South haven't had more success. Some economists argue that less money should be spent in the South, not more, since the only way to solve its problems is by encouraging a mass exodus. Others claim that the Cassa encouraged pockets of industry, consequently diluting the chances of any one place achieving self-sustained

growth. The Cassa was accused of replacing rather than supplementing the work of local and provincial authorities.

Before the first movements of industrialization in Sicily began between 1957 and 1961, "conditions in Sicily were better than in the rest of the Mezzogiorno," says Giuseppe Cosentino, an economist with the Institute for Assistance to the Development of the South (IASM). "The industrialization created a building boom in public works and housing. Meanwhile, the traditional industries suffered. They didn't modernize and the increasing new industrialization—and the infrastructure that was built to create new investments—brought all of Italy closer together."

"It was a problem of speed," Mr. Cosentino says. "Another problem has been the resistance of people to change. Sixty percent of the working population in Sicily is engaged in traditional industry and they resist changing their living and working habits."

Still there have been healthy gains. A new industrial triangle has begun to emerge between Brindisi, Bari and Taranto. A vast network of superhighways has aided industry and tourism.

And recently, if belatedly, some of the major northern industrialists have begun locating or planning part of their investments in the South. By the end of this year, Fiat is expected to spend more than \$300 million there and plans to put at least half of its future investment funds into the South, as well.

A giant automobile plant is being finished outside Naples by Alfa Romeo. And the hope is that the factory will serve as a growth center for a car component industry.

All of that movement, however, is not enough to close the north-

(Continued on page 13, col. 1)

The Italian Economy: The Pressures Build Up

Chief Threat to Health Is Growing Labor Crisis

By Leslie Childs

ROME (UPI)—Italian workers have caught what the nation's alarmed industrialists call "the English disease"—absenteeism. And this growing "I'm all right, Jack" mentality is speeding Italy's plunge toward what is universally feared to be its worst recession since the end of World War II.

Every day at least 800,000 workers stay away from their jobs in a "hangover holiday," according to just-issued official statistics. That daily mass defection, allied to millions of man-hours lost through strikes, is undercutting Italy's once-vaunted competitiveness on the world markets.

In March alone, a continuing series of strikes—many of them the nit-picking variety—meant the loss of nearly 12 million man-hours for Italy's limping industry. That was more than 3 million man-hours over the figure for the same month last year.

And the worst seems yet to come. Gloom is growing as the once-thriving nation faces the threat of another crippling "hot autumn" of negotiations for wage increases involving more than 4 million workers. With the growing labor discontent, it is no wonder that overriding pessimism has been underlined in the past few weeks with alarm-filled public pronouncements from five of the nation's most powerful industrialists and economic leaders.

'Profound Crisis'

One of the latest warnings came from Raffaele Girotti, president of Italy's state-owned oil combine ENI. As widespread reports of an imminent devaluation of the lira—by as much as 4 percent—were picking up momentum, he spoke of "the profound structural crisis" now gripping the Italian economy, and added:

"Productive activity continues to stagger along. Employment is dropping." Mr. Girotti called for "a climate of social peace" in which both management and labor could collaborate in constructive efforts to thrash out their problems.

Despite months of negotiations, Italy's three main trade union confederations have failed to merge into a single monolithic organization on the lines of America's AFL-CIO. But, just the same, they are working more

closely together than ever before. And they are threatening that they will be merciless when negotiations start in September for new national contracts involving more than 4 million workers in 58 categories, including such key sectors as the chemical industry and metal mechanics.

Unless both sides show more responsibility, the result in the next few months could be a repeat performance of 1960's "hot autumn," which by adding an average of 17 percent to Italy's production costs put an end to this Common Market country's economic miracle.

Even Italy's world famous shoe-making industry is suffering and the car industry has been hit by a seemingly never-ending wave of strikes. The refrigerator manufacturers—pioneers of Italy's postwar economic development—have been hurt so much that one of the top companies (Ignis) has been taken over by the Dutch giant Philips.

Even rosary makers, that apparently unassailable industry, is struggling to survive because of rising labor costs and increasingly tough foreign competition mainly from all people, the Japanese. In the past few years Italy's rosary production has slumped from more than 3 million a year to less than half a million.

As an official of Italy's Communist-controlled labor union federation, the CGIL said ironically: "If we are losing out on the rosary-making business, then Italy MUST be in a bad way."

Fiat's Example

For those companies which are still doing comparatively well, this possibility of a wave of "hot autumn" strikes, followed by wage increases, threatens to stymie hopes of expansion. And here Fiat is a supreme example of how labor unrest is helping to throw industrialists into despair.

In a statement last month, Fiat president Giovanni Agnelli revealed that in the first four months of this year production of 60,000 vehicles was lost through strikes. Last year, strikes caused a Fiat production loss of 120,000 vehicles.

Strikes, often of the wildcat



variety, are becoming commonplace at Fiat's main Turin plant. And Mr. Agnelli publicly warned of a worsening situation there even though management and labor representatives are not due to meet for new contract negotiations until next December. And then, he said, there could be a complicating factor. The growing justified insistence on higher auto-safety standards could raise prices by as much as from 20 to 25 percent. Those costs could make it very difficult to offer much in the way of wage increases.

In recent crisis talks with labor union officials, even the then labor minister, Carlo Donat Cattin—a left-wing Christian Democrat—urged them to exercise moderation in the coming round of new wage negotiations. It was a surprising comment from him, for throughout his term of office the controversial Mr. Donat Cattin was accused of siding too much with the workers, to which he always replied: "I'm the Minister of Labor, not the Minister of Unemployment."

Even he, though, could not ignore the danger signs. Fiat's setbacks, for example, were mirrored to a large extent by events at its main competitor—the state-controlled Alfa Romeo automobile factory in Milan. There, too, production has fallen short of expectations. And again strikes and increasing absenteeism were blamed.

Mergers

Mergers have failed to cure the chronic sickness of some of the top Italian companies where disgruntled employees are giving management a rough time. The marriage of Italy's Pirelli tire-making company with the British Dunlop group provided the most dramatic example. That marriage has led to a most unsatisfactory honeymoon. This year the merged group's lamentable financial results were due largely to failures on the Italian side—alleged to Italy's general debility. In Milan, though, Pirelli officials are op-

(Continued on page 11, col. 1)

Top Need: Restoration Of Business Confidence

By Stuart Troup

ROME (UPI)—Almost three years and two governments have come and gone since the "hot autumn" of strikes and strife initiated an economic slump in which Italy is still floundering. And low the threat of another "hot autumn" is about to greet a new government with a fine how-do-you-do.

Three years time has not healed the labor-management divisions nor ended the political hostility that has kept recovery solutions from being implemented. Further labor contracts involving one-fifth of the work force are up for renewal this fall.

The first order of business for the new government is obvious. Premier Giulio Andreotti sees what he calls a "double emergency, economic and political." Business confidence, he says, must be restored. That, of course, would encourage investment and discourage the flow of capital abroad. But how the new government will attempt to tackle that and other economic ailments is not yet known.

The ailments are easier to identify. There is a shortage of housing, schools, hospitals and jobs, especially in the poorer regions. Large-scale labor problems have cut productivity, discouraged investment and held back growth. The lack of growth, and consequently of jobs, has made the political situation more unstable. And in this increasingly volatile political situation, the government must try to legislate a program of economic resuscitation.

Colombo's Failure

Essentially, it is the same problem that faced the former premier, Emilio Colombo, who formed a government in the middle of 1970. Mr. Colombo, who for years had been Italy's finance minister, submitted an emergency package, aimed at reducing imports and shifting resources to investment. Part of that package failed in parliament. The rest of it not only failed to achieve its goal, but in fact 1971 became the low point for the economy since early postwar reconstruction.

Why? Defender of Mr. Colombo cited labor unrest, the condition of the textile industry and the difficulties the premier faced with his plan for low-cost housing. Other observers discounted

much of the labor unrest, seeing it as a result and not the cause of the slump in the economy. The difficulties with the housing reform, however, they agree was unfortunate.

The building industry, which had been in a decline since 1960, directly affects more than a score of other industries—cement, glass, lumber, steel, etc. The objective of Mr. Colombo's housing bill was to put more funds into public housing. But public housing amounts to only 5 percent of all housing and, besides, the proposed legislation was watered down in parliament.

With the private building sector in trouble, activity continued to decline last year by 10 percent from 1970, which was already considerably lower than in 1969. Wages rose by more than 10 percent, but consumer demand did not stem the crisis in housing and investment. Instead, much of the wage increase was lost in the rise of prices. What was an increase in savings. What's more, by the end of 1971, there were 300,000 fewer persons employed.

So much for 1971, the year in which the organization for Economic Cooperation and Development and the Bank of Italy both had predicted a boom in Italy.

The forecasts for 1972, while still optimistic, have been more cautious. In February, the Budget Ministry suggested that growth this year could be about 3 percent. That figure was cited, also, by the employers' federation, Confindustria. The government had had economic forecasts by institutions, ISCO, and the Bank of Italy both forecast a growth of about 3 1/2 percent, largely during the second half of the year.

The Italian economy, according to experts, should be growing at about 6 percent a year, a figure which it has not approached for the past three. But the 1972 forecasts are based on an assumption that housing activity will start to pick up. Also, the forecasters believe that the lack of private investment will be compensated for by a strong rise in investment by state-owned holding companies.

For all of its optimism, however, ISCO may have been over-cautious in terms of exports, which it predicted would increase.

(Continued on page 11, col. 6)



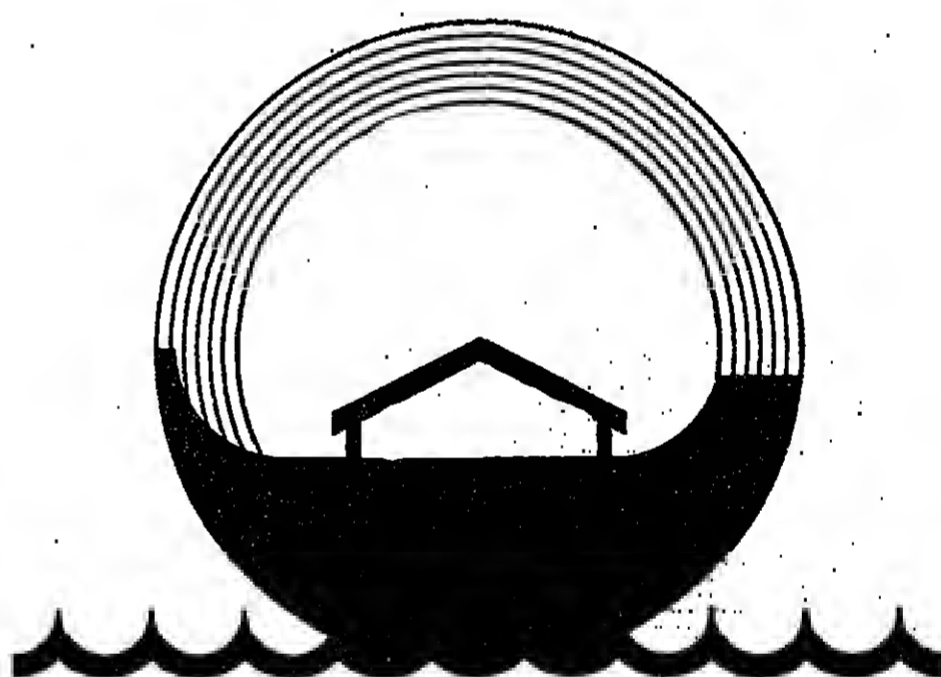
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Italy

Economy
Imperiled by
Labor Crisis

(Continued from Page 10.)

Aggravated that their British partners will not call for a divorce from the wake of the slump in the world.

They cite two reasons for Fiat's poor showing: investment spending has dropped, and higher production costs caused by what they call permanent management-labor strife at the Italian company's plants.

Labor relations at Fiat, indeed, are so bad that recently the company's workers staged the first-ever international strike with their colleagues at Dunlop factories in Britain. The idea was to protest against the threat of redundancies.

An estimated 30,000 workers in both countries joined in the unprecedented stoppage. In Britain, it was a day-long affair; in Italy, mere two-hour strike during very shift. As far as Britain is concerned the strike was a flop. But the Italian workers took it seriously enough to invite a British comrade to stress an open-air strike rally in Milan.

As the crisis mounted, Italy's association of manufacturers, Confindustria, took an unprecedented step. It issued an open letter to the three trade union federations warning them: "The situation is dramatic. The industrialists' association has decided that if the unions de-

The Big Four Industrial Giants

ROME (UPI)—Italy's industrial complex is basically run by four giants, two of which have been experiencing problems that reflect the economic difficulties of the country.

The giants are Fiat, IRI (Institute of Industrial Reconstruction), Montedison and ENI (National Hydrocarbon Company). Among the four, they produce about 10 percent of the gross national product and, in the past few years, there has been increasing cooperation by them to try to plug the gaps in Italy's industrial capacity. But at least two of them are suffering internally.

IRI, for example, is a state holding company that controls a merger in 1968 between Montedison, a chemical giant, and Edison, an electric company, and has been ailing for a long time.

It operates Alitalia and a large part of the merchant shipping fleet; it runs virtually all of the telephone system; it has almost all of the shipbuilding capacity, and owns half of the steel-making industry (Finisider). It is also involved in cement, food products, cars (Alfa Romeo), and has a key role in aeronautics and electronics.

And IRI is complaining. Its president, Giuseppe Petrilli, cited strikes and union contracts for creating fiscal deficits. He concluded recently: "We are in a situation where the normal running of our system (in IRI) runs the risk of being terminated."

Montedison—the product of a merger in 1968 between Montedison, a chemical giant, and Edison, an electric company, and has been ailing for a long time.

The company, which is involved in such disparate activities as mining and retailing, took in almost \$3.3 billion last year without turning a profit for the second year in a row. It is so far in debt and its plants are so outdated that it is unlikely to make a decent profit for years, observers feel.

Montedison's problems are critical for Italy for two basic reasons: (1) the chemicals and synthetic fibers industries, of which Montedison is king, are the hinge on which rests countless other industries, and (2) the government is a big stockholder through shares held by ENI.

ENI, another of the giants, is an integrated petroleum company which dominates petrochemicals, is involved in textiles and operates engineering and construction consortia.

Fiat's power has increased during the past decade in line with extraordinary and highly profitable growth. Besides producing all kinds of vehicles, engines and fabricating in certain vertically integrated activities such as steel making, it owns part of the aircraft complex and is involved in nuclear engineering.

But Fiat, too, is complaining about the labor situation. For the past two years in a row, strikes cut production by more than 130,000 vehicles.

The ramifications of these four giants in Italy are almost endless. Among them, they have a major part to play in almost all sectors of the economy. And conversely, almost anything that happens in any sector of the economy has an effect on one or another of them.

Business Confidence Is Needed

(Continued from Page 10.)

In real terms by about 4 1/2 percent this year. Last week it announced that imports totaled \$7.473 billion for the first five months of 1972, up 8.1 percent from 1971. But exports, it noted, totaled \$7.212 billion, up 18 percent over last year's first five months. That put Italy's trade deficit for the first five months of 1972 at only \$260 million, compared with \$693 million for the like 1971 period.

The forecasts and the few available figures are good signs. But the industrial leaders still do not like the looks of things.

"The signs of recovery that have been noted on several occasions have so far always proved overoptimistic and only partial," said Raffaele Girotti, president of ENI, the national hydrocarbon company—one of the industrial giants. "Productive activity continues to stagnate; along and employment is dropping," he said.

A similar bleak picture has been painted recently by Guido Carli, Governor of the Bank of Italy, by Leopoldo Firrelli, head of the Fiat's interests, and by Giuseppe Petrilli, president of IRI, the Institute of Industrial Reconstruction and head of the National Manufacturers' Association.

"The fall of industrial investments has had no precedent since the postwar period," Mr. Petrilli said. He and the others are particularly disturbed by labor problems. Since the rights of full pay for illness were put into the contract in 1969, he said, absences for illness have increased by 40 percent, especially in the case of single days that fall between holidays and weekends. "We are in a situation," he added, "where the normal running of our system runs the risk of being precluded."

Limit to Tension

Turning his attention to the unions and the upcoming labor contract, Mr. Petrilli said, "There is an objective limit to the union tension, and that is the capacity of an economic system. We would not be responsible as entrepreneurs if we did not state, with a necessary force, a situation that can seriously hurt our society." He emphasized the necessity of profit, asking the unions not to forget "the cost of many innovations proposed" and to accept the principle of a reasonable parallel between improvement in pay and increase in production.

"Without that," he said, "we preclude the engagement of prevision and planning, of vital importance for a modern enterprise." Reactions to the cries of crisis may seem typical, but they ex-

hibit how polarized the industry-labor situation and the political situations are.

"It is not the union claims and conflicts in the factories that have caused the crisis," said a spokesman for the Italian Communist party, Italy's second largest political bloc. "It is the structural lack and the nonrealization of reforms."

The unions themselves, although clearly forces that have proved they can influence political and economic events, are having a struggle of their own. The three major organizations are CGIL, linked with the Communist party, Cisl, linked to the Christian Democrats, and Uil, which is mostly Social Democratic. They have been holding merger talks, but political affiliations have aroused mistrust and antagonisms that have stalled the cementing of a united front with which to face management this fall.

Nonetheless, in reaction to Mr. Petrilli's remarks, a spokesman for Cisl commented: "It is an opportunity to warn all of the Italian entrepreneurs that the difficulties of the unions' negotiation signify neither suppleness of the unions nor smaller determination in the battle for contracts and reforms."

On Weak Footing

How much influence the new government will have in the labor-industry confrontation this fall is difficult to foresee. In terms of legislative emergency measures to bolster the economy, it will be on a very weak footing. Christian Democratic Premier Andreotti has formed a center coalition, excluding the Marxist Socialist party, with which it had ruled Italy in a center-left coalition for 10 years.

The new alliance, which includes the Democratic Socialists (non-Marxist) and the Liberals (conservative), and which has the backing of the centrist Republicans, has built-in difficulties. Its margins in parliament are very slim—10 seats in the 630-seat Chamber of Deputies and only four seats in the 322-seat Senate. Labor, as a whole, is not pleased by the exclusion of the Socialists, and even minor defections in the ranks of Social Democrats or Christian Democrats could stymie efforts by the new government.

For these reasons, and others, many observers have predicted a short life for the new cabinet, perhaps no more than six months. To add to the new government's troubles, there has been widespread speculation recently that the lira will be devalued. The Treasury Ministry and the Bank

of Italy, however, have repeatedly denied that such a move is coming. But foreign exchange dealers believe it is inevitable.

The Ministry of Foreign Trade moved recently to end speculative pressure on the lira and to stop large movements of capital abroad by ordering Italian banks to cease buying lire for other currencies from foreign banks. Under the new rule, foreign banks are unable to get from Italy's central bank foreign currencies in exchange for lire in their possession. The ruling applies only to bank notes.

Swiss Affected

The move, aimed primarily at Swiss banks which receive large quantities of lire from Italians seeking to move capital abroad, is expected to last at least three months. But the Foreign Trade Ministry did not announce a date for ending the restriction.

The new control is along the lines of action that the left-wing parties have been requesting for some time, so that Italy could better benefit from its enormous tourist trade instead of having it somewhat offset by the outflow of capital.

If the restriction works, it remains to be seen whether the extra resources are channeled into capital investment rather than extra consumptions.

Assets

And those resources are considerable. It has an available labor force unequalled on the Continent. It has a great deal of available land, relatively empty and very beautiful. It is completing a network of superhighways unparalleled in Europe. It has an efficient rail system and sea shipping advantages. And it is the Common Market nation best situated for developing Mediterranean markets.

How soon Italy will make best use of those advantages may be critical. As the Organization for Economic Cooperation and Development said in its report on Italy last year:

"No economic system can withstand indefinitely, without serious damage, a situation in which the productive apparatus does not function normally."

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Fiat has 40 factories in Italy and 38 in other countries (either wholly or partly owned by Fiat), 183,000 employees, more than 12,000 sales and service centres throughout the whole world.

And in addition: through its partnerships in Aeritalia and Grandi Motori Trieste, Fiat is involved in space programmes, aeronautics, the construction of large marine engines, and, through Impresit, in the realization of great civil engineering projects all over the world: dams, roads, harbours, bridges, tunnels, land reclamation, civil and industrial building.

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Summary Financial Statement at December 31, 1971

Balance Sheet			
Assets	Fr.	Liabilities	Fr.
Cash on hand, with Swiss National Bank and on postal check account	74'602'338.23	Balance of other banks at sight	6'862'796.80
Balances with other banks on sight	21'346'126.53	Balance of other banks on time	145'678'272.65
Balances with other banks on time	237'942'007.19	Checking accounts and sight deposits	186'540'780.85
Bills receivable	10'445'104.90	Time deposits	200'105'089.02
Current unsecured loans	44'717'460.50	Deposit and deposit book accounts	73'557'555.53
Current secured loans	136'904'586.75	Medium-term notes	85'039'000.00
Unsecured fixed advances and loans	23'647'080.25	Checks and transit items	20'246.00
Secured fixed advances and loans	111'927'340.78	Other liabilities	23'125'263.48
Advances to public authorities	2'674'428.68	Capital Stock	25'000'000.00
Mortgages	38'555'048.25	Participation certificate capital	5'000'000.00
Securities and permanent holdings	29'611'000.00	General reserve	12'000'000.00
Other real estate holdings	2'282'000.00	Special reserve	23'000'000.00
Other assets	2'023'982.27	Profit carried forward	750'000.00
	736'679'004.33		736'679'004.33
Guarantees	41'210'774.55	Guarantees	41'210'774.55
Profit and Loss Account			
Expenses	Fr.	Income	Fr.
Interest paid	18'684'695.18	Balance brought forward from previous year	650'000.00
Bank directors and staff	5'671'404.60	Interest received	25'550'908.76
Contribution to staff welfare fund	474'984.00	Commissions	10'525'188.68
General and office expenses	3'000'714.46	Proceeds from bill holdings	3'940'704.70
Taxes and assessments	3'333'051.20	Proceeds from securities	962'303.57
Depreciations and provisions	2'676'471.57	Other items	312'215.30
Profit carried forward	650'000.00		
Net profit 1971	7'450'000.00		
	41'941'321.01		41'941'321.01

Italy

Tourism: A Strong Industry in Transition

By Christina Lord

ROME (UPI)—Tourism is up in Italy this year, but the tourist industry is not taking it for granted. Competition is way up, too, and tourism leaders agree that Italy must offer something more than hospitality and natural beauty.

"The days of just kissing hands and providing a clean room are over," says Giovanni Torresani, director of the Institute for the Assistance to the Development of the South (IASMO).

"Recently other countries have made themselves known, especially in the Mediterranean. Italy must make a greater effort abroad to keep the interest of tourists," says Sandro Sorbelli, director of the Italian Tourism Company (CIT).

"We must think about modernizing. We have to wake up," Mr. Torresani counsels the tourist industry.

"They call it an industry," says Luigi Pellegrini of CIGA, a chain of deluxe and first-class hotels in Italy, "but it is operated in the style of handicrafts, with family-type hotels. Therefore, when there is a sudden boom, they are unprepared for it. There are no offices for marketing, selling, making the product more attractive."

20 Percent Hike

Meanwhile, the Italian State Tourist Department (ENIT) reports that there has been an increase of 20 percent during the first quarter of this year over 1971. That figure, of course, can be misleading, since last year's first quarter was down 11 percent from 1970. But still, there was an increase overall last year, despite widespread strikes and labor unrest.

Nonetheless, the leaders see a need for concern, not so much about what Spain, Yugoslavia, Israel and others are doing, but about what Italy should be doing to keep and increase its share of the market.

What is being done to meet the competition? Mr. Sorbelli of CIT echoes a common sentiment in the tourist business: "We'd like to make publicity more a scientific study. Until recently it

The days of just kissing hands and providing a clean room are over and competition for the tourist's lira is getting tougher, but the first quarter of this year shows an increase over the corresponding period last year.

was only general: 'Come to Italy; there's sunshine.' Now we're trying to appeal to specific segments of the market."

One of the biggest and most successful of those segments is group tourism, because, as Mr. Sorbelli points out, "you spend less, taking advantage of cheaper transportation and hotel rates."

The assurance of groups provides a cushion for hotels, enabling them to hold down their prices, knowing pretty well how many guests they will have during the season. Therefore the benefits of group tourism ideally are felt by individual travelers as well as by members of groups, Mr. Sorbelli says.

Mr. Sorbelli forecasts a 10 percent increase in tourism in Italy by the end of this year. He bases that figure on a general rise in tourism all over the world, and on the present currency situation.

"Most European currencies have risen with regard to the U.S. dollar more than the Italian lira has," he says, "so the exchange in Italy is comparatively good."

Other companies are equally optimistic about group tourism. TWA reports a 28 percent increase in passengers to Rome during the first four months of 1972 over the same period last year. Its Getaway program, launched last year, has netted an impressive 60 percent jump in group tour sales for the company.

Rise in Japanese

"We're going into the tour business in a big way," says a TWA spokesman. "We've got our own credit card, second only to American Express; we've got our own buses. One million Getaway guides have been sold. Our program is having tremendous success because people get more for their dollars traveling in organized tours. They know exactly how much their trip is going to cost them, and anything else is extra."

A spokesman for American Express, which is an old hand in the group tourism business, also says that 1972 is so far "better than an excellent 1971." Americans, Japanese, Europeans and South Africans are coming to Italy in increasing numbers.

"Our big increase, of course, is the Japanese market," says David Loretto, managing director of American Express. "We deal with them a lot because we can offer them a worldwide organization."

"Turismo di massa"—mass tourism—as Mr. Sorbelli calls it, may indeed be the current revolution in the field. And, according to many who are familiar with travel trends, it is here to stay. But it is not all benefits and bargains. Hotels, in particular, often equate accepting groups with a loss of independence or prestige.

"Organized tourism is beneficial but dangerous," says Mr. Pellegrini of CIGA. "It involves a sort of 'love/hate' on the part of hotel managers. Tour operators bring the hotel business, but this business also gives them control of the hotel."

"A middle-size European hotel is much smaller than a middle-size American hotel," he continues, "perhaps about 200 rooms compared with 600. For this reason a European hotel like the Grand (one of the CIGA chain) can be deluxe in the true sense of the word, as an American hotel can't, because it's too big. Big hotels must take groups, and this means you can't have the same service as you can for individuals."

"The meals, for instance—once they are prepared on a large scale they are no longer deluxe. And the atmosphere changes when you accept groups. One hundred people entering a hotel at once is going to mean noise and confusion no matter how nice the group is. And this scares away the other clients."

In spite of the few protests against groups, other branches of the tourist business are seeing them as the means for continuing an upward curve in the number of visitors to Italy, by taking up the slack that is inevitable in the off-season months.

"In the summer it is difficult to find a room: in October and November you can take what you like," says Mr. Loretto of American Express. "So we have organized some off-season tours which we call our fall and spring program, at lower rates than the summer season, and including travel from the States. For instance art tours, theater tours, opera tours, to appeal to people who can take a week's vacation off-season."

CIT also is conducting off-season tours with the purpose of filling the traditional winter gap in bookings. In collaboration with large American companies, Mr. Sorbelli says, CIT organizes incentive tours and business conferences in Italy, taking care of reservations, conference hall space and sightseeing. A company may award these week-long tour packages as a sales-incentive prize to employees, or simply hold a conference or workshop in Italy to mix business with pleasure.

"This could work to mean fewer yearly price increases," Mr. Sorbelli says, "because hotels wouldn't have to count on an empty winter."

The outlook, according to Mr. Sorbelli, is good "rather than excellent," partly because of the strikes last year, partly due to the increased prices in Italy following the signing of new contracts.

"We didn't raise our prices this year on purpose," Mr. Ganz continues, "while most places go up eight to 10 percent every year as a rule. But we figured that a tourist who last year paid \$45 this year pays \$52 just due to the dollar exchange. So even with-

out our raising prices he is paying more, though we don't make any more."

What effects have there been from last year's strikes? "There are things that get taken care of," says Mr. Sorbelli. "Many in America this is something to worry about, but to a Frenchman or an Englishman—they too, have strikes."

This seems to be true. Despite the various strikes last year—by hotel workers, sanitation workers, and small so-called hiccup strikes by railway and airport personnel—there was an increase in the number of tourists in Italy over 1970. And that increase is showing no signs of falling off.

The airlines are as optimistic as the hotels. An Alitalia spokesman forecasts a 10 percent increase over 1971 in spite of the fact that for the first quarter of this year its bookings were down from last year. The spokesman for TWA announces that a significant increase is expected during this summer "because we were already full."

Italy's tourist industry is so confident that it is even trying to be confident. For travel agency leader put out "Personally I'm not afraid. People travel more and more. They are more curious, they want to see more. More people are becoming sensitized to travel, made want to travel. People keep coming to Italy. They find a little of everything to suit their taste."

Mr. Fago Golfarelli of ENIT adds: "Italy is constantly trying to expand and increase her facilities to correspond to the need level of what tourists around the world demand of a country."

But, he adds, "The central government, which ought to facilitate and contribute to the development, often cannot do so efficiently on a practical basis because of bureaucratic structure which are inadequate, and cause of a lack of funds to all government agencies to open in the way they would like."

"We ought to have financial backing in proportion with benefits to be had from tourism. A company calculates, perhaps three to five percent of proceeds to be spent on public. We get, for tourism promotion, about .001 of the intake of tourism."

Italy, however, doesn't seem to be suffering.



ISTITUTO MOBILIARE ITALIANO

Annual Meeting—June 22, 1972

On June 22, the Annual Meeting of the Shareholders of Istituto Mobiliare Italiano (IMI) was held in Rome, chaired by Mr. Silvio Borri, to approve the Balance Sheet and Reports for the Institute's 40th fiscal year.

The Board of Directors' Report, read by Mr. Borri, contains an extensive review of the activities of IMI which in the past year have shown further significant developments. Their highlights are reflected in the following figures (data converted into U.S. dollars): new loan applications received totaling \$6,833 million (74% over the preceding year); loan agreements signed totaling \$1,527 million (+41%), or \$1,629 million if we include the transactions entered into by the Autonomous Section for Maritime Credit. As of March 31, 1972, the Institute's outstanding loans amounted to \$6,552 million (+14%).

The following is the breakdown of IMI's loan agreements signed by main classes: investment financing \$1,250 million (+50%); export credit financing \$237 million (+6%); financial credit to foreign countries \$26 million (+32%); loans to non-residents \$14 million (+38%).

From a geographic standpoint, 58% of the investment loans related to projects in Southern and Insular Italy. A specially large expansion was registered in industrial investment financing (+74%). The main recipients were the following industries: engineering (\$351 million), petrochemicals (\$306 million), metallurgy (\$210 million), food processing, textiles and paper (\$31 million each).

The Report stresses that the loans extended to industries (\$1,008 million, of which about one third for the construction of new plants) have contributed to the implementation of investment programs for \$1,759 million and expected to provide over 28,000 jobs. During the year, 47 new concerns were established with the Institute's financial support of which 24 in the South of Italy. The loans to enterprises operating in the service and utilities sector (\$123 million of which \$129 million in the telecommunications sector) registered a 4% increase.

In the course of the fiscal year the Institute has started the activity, pursuant to Title I of Law No. 184 of March 22, 1971, for the restructuring of industrial enterprises. In this connection, it is stressed that the Institute has been methodically supporting the enterprises in the drafting of appropriate plans, striving to encourage cooperation among several enterprises, with a view to promoting the solution of problems on an intercorporate basis in the framework of the special features of each individual sector.

As regards the special operations for the account of the Government, the Report dwells on the R. & D. Fund, which has consolidated its character as a permanent instrument for the support of industrial research. With the approval during the year of additional financing

totaling \$1 million dollars and the establishment of two new research companies, the total amount of financing approved by IMI since the inception of this Fund has exceeded the initial 172 million dollars.

The transactions entered into during the 40th year have brought the amount of IMI's outstanding operations as of March 31, 1972, to 6,592 million dollars, of which 94% against the Institute's own funds and 6% under "special operations" (i.e. the operations turned over to IMI by the Government for specific economic-policy purposes and financed out of public funds).

IMI's domestic fund-raising activity has been developing without special problems, in view of the liquidity condition prevailing in the Italian economic system. During the 40th fiscal year, IMI has placed bonds on the Italian capital market in the amount of 703 million dollars, plus subscribed bonds now being issued totaling 223 million dollars and bonds for term delivery totaling about 292 million dollars. As of March 31, 1972, IMI's bonds outstanding in Italy totaled 4,653 million dollars, with a 9% increase during the year. Foreign-currency loans have been contracted on foreign markets to a total amount equivalent to 198 million dollars; at the end of the 40th fiscal year, IMI's foreign-currency borrowing totaled 696 million dollars.

During its 40th year of activity, the "Credito Navale"—Sedime Autonomo dell'IMI (Maritime Credit—Autonomous Section of IMI) has extended maritime-credit loans totaling about 103 million dollars. Outstanding loans as of March 31, 1972, totaled 490 million dollars.

The Report stresses that, at the end of the Institute's 40th fiscal year, IMI's active role in the events of Italy's economic life during the last four decades has gained for it increasing prestige both in Italy and abroad. This performance, in addition to bringing about a rapid growth of activities in quantitative terms, has enabled the Institute to build up a wealth of experience and skills, continuously enriched by an increasing degree of activity diversification and by a steady improvement in operating methods.

After a brief review of the trends on the capital market, the Report finally introduces the Institute's balance sheet and profit and loss statement showing that, after the largest allocation to the risk fund permitted by the tax law and after the customary depreciation allowances, the profits totaled \$14,019 thousand. The Board proposed that \$9,788 thousand of this sum be allocated to the Ordinary Reserve Fund and that \$4,127 thousand be distributed to the Shareholders (being the equivalent of an 8% dividend reserve funds and bringing forward the residual).

After the reading of the Board of Auditors' Report, the Shareholders' Meeting unanimously approved the Board of Directors' and Board of Auditors' Reports and decided in conformity with the recommendations made by the Directors.

BALANCE SHEET SUMMARY AS OF MARCH 31, 1972 (40th Fiscal Year)

(Dollar equivalents calculated at the rate of Lit. 581.50 per U.S. Dollar)

LIABILITIES		ASSETS	
Subscribed capital stock	\$ 171,980,046	Subscriptions receivable on capital stock	\$ 120,378,332
Reserve Funds	\$ 294,007,417	Securities owned	\$ 335,462,740
Government allocations under Law No. 184 of March 22, 1971	\$ 51,585,287	Liquid assets in Lire and foreign currencies	\$ 296,895,837
Bonds in Lire and foreign currencies	\$ 4,686,510,869	Loans in Lire and foreign currencies	\$ 6,104,417,130
Borrowing and sundry debts in Lire and foreign currencies	\$ 2,151,180,708	Sundry credits in Lire & foreign currencies	\$ 334,039,494
Outstanding guarantees	\$ 35,706,846	Advances receivable and other operations in Lire and foreign currencies	\$ 181,181,237
Interest payable and discounts on receivables	\$ 159,065,214	Outstanding guarantees	\$ 35,706,846
Miscellaneous items	\$ 12,254,103	Unamortised discounts	\$ 112,860,758
Balance of year's profits	\$ 14,019,568	Interest receivable and discounts on payables	\$ 124,705,596
	\$ 7,570,268,868	Real estate and furniture	\$ 4,291,376
Contra Accounts:		Miscellaneous items	\$ 4,291,376
Loans commitments, securities and bills held and on deposit	\$ 4,194,068,221	Contra Accounts:	\$ 7,570,268,868
Special and fiduciary operations	\$ 1,417,955,671	Loans commitments, securities and bills held and on deposit	\$ 4,194,068,221
	\$ 13,182,282,758	Special and fiduciary operations	\$ 1,417,955,671
GRAND TOTAL	\$ 13,182,282,758	GRAND TOTAL	\$ 13,182,282,758

STATEMENT OF INCOME AND EXPENDITURES AS OF MARCH 31, 1972

EXPENDITURES		INCOME	
Overheads	\$ 18,521,000	Interest and sundry income	\$ 317,787,238
Taxes	\$ 12,277,532	Interest on current accounts and securities owned	\$ 40,530,752
Interest aid on bonds	\$ 280,854,969		
Depreciation	\$ 7,283,039		
Allocation to the Risk Fund	\$ 21,321,920		
	\$ 344,268,490		
Balance of profits	\$ 14,019,568		
	\$ 358,288,058		\$ 358,288,058

RUMIANCA

Four factories in Italy



Chemical Products for Industry
Chemical Products for Agriculture
Plastic Materials
Cosmetics and household articles

RUMIANCA
Corso Monnevecchio 37/39
Torino (Italy)

Mezzogiorno Shows Gains, but Gap With North Remains

(Continued from page 10)

in economic gap, but the government hopes that the newly passed law for aiding the development of the South will be the trick.

Basically, the new law provides for 1972. But, more importantly, it has changed some of the criteria for state intervention in the Mezzogiorno. It has transferred the responsibility for over-all coordination from the Cassa to the Interministerial Committee for Economic Planning (CIPE).

The Cassa per il Mezzogiorno has been endowed with \$5.165 billion, as well as the possibility of committing another \$2.4 billion over the period of 1972-80. The approach to promoting growth hasn't changed. There are financial incentives in the form of soft loans and cash grants (with some changes); as is further infrastructure aid.

Emphasis on Jobs

More important, CIPE will have power to approve further aid investments considered in a priority category because of the size of location and/or the type of activity to be carried out. The over-all emphasis is on creating the number of jobs. It is seeking in particular large-scale, labor-intensive plants to be located in development zones.

Such criticism has been leveled at the government in the past since the incentives had been heavily weighted in favor of steel rather than labor. That balance accounted for the so-called cathedrals in the desert, such as a steel mill in Taranto from the location of centers of finished steel.

Along with financial incentives, a new compulsory that 40 percent of government investments made in the South and that percent of the investments by state-controlled industries be sited there.

Another important change, also, is that the local authorities now participate in the execution of investment programs. With infrastructure, the Cassa will finance only those works closely tied to industrial development—ports, shipping facilities, airports and communication networks—while the regional authorities have responsibility for general infrastructure—roads, public aqueducts, etc.

And the new law discourages investments in already congested areas, particularly in the overcrowded North. Investments by companies with a capital of more than \$5,000 and any investment exceeding \$11,200 must be reported

to the Budget Ministry. The ministry can then oppose the project if it is felt that the location is congested (to be determined by CIPE) or if adequate manpower is unavailable. If a company decides to go ahead with its investment despite the Budget Ministry's objections, it will be fined 25 percent of its investment.

These, then, are the basic avenues through which the government hopes to solve the north-south economic gap. It does not expect a quick miracle. As 1954's economist Mr. Costantino has said, the problem until now has been one of too much speed. "We hope that in 10 years the number of new jobs will rise to solve the crisis," he says.

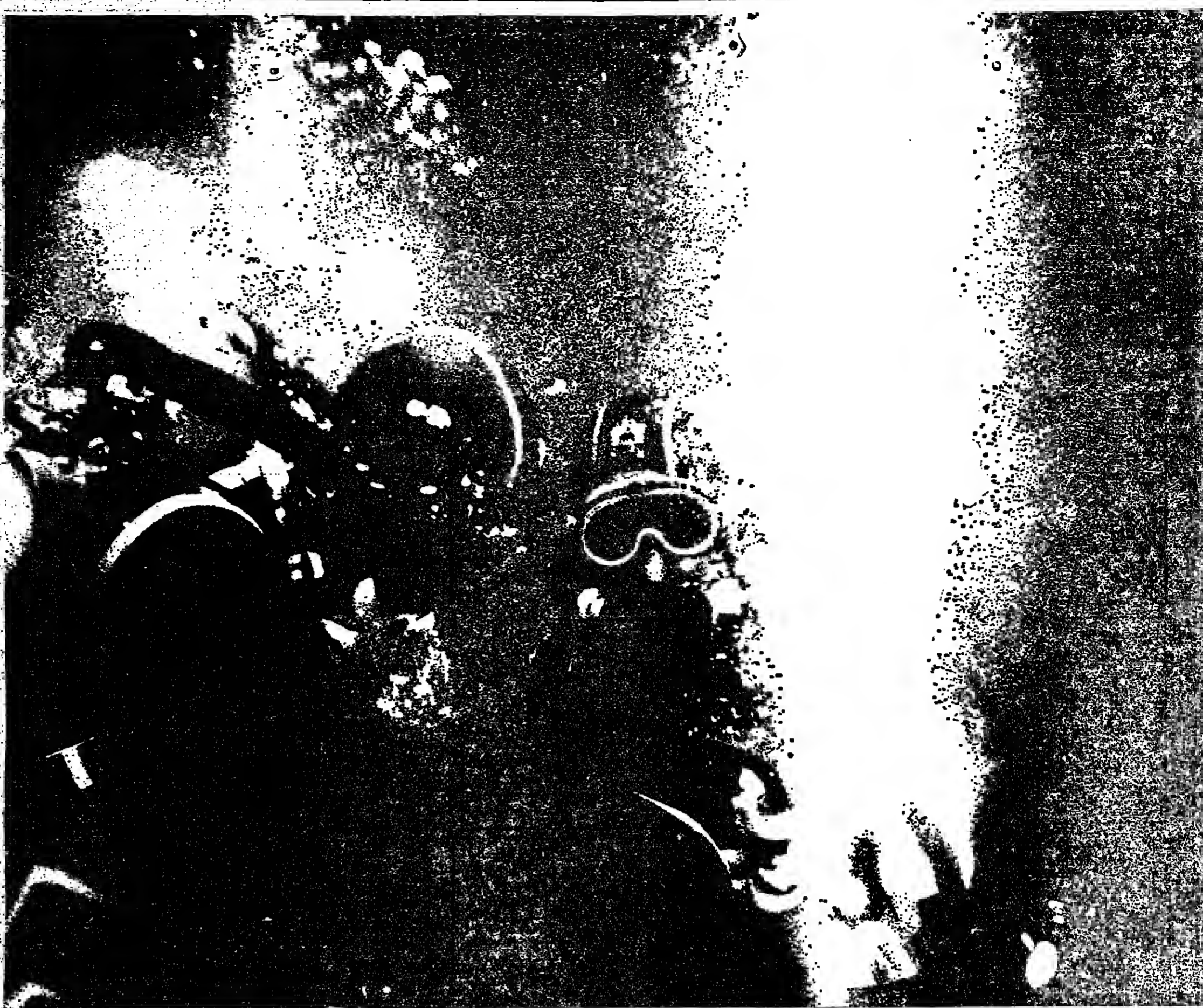
Here is a summary of the major benefits provided by the new legislation:

- Companies that invest up to \$2.5 million are eligible to receive grants of 35 percent of fixed investment costs (roughly speaking, the entire cost of plant construction, setting up, equipment and machinery). That percentage can be raised to 45 percent if the plant is situated in an area where the population is being rapidly siphoned off by a large emigration rate. A further contribution of up to 5 percent is available if the area in which the plant is sited requires special works for road, electricity, water and other infrastructures, and if it is necessary to undergo expenses for personnel training. The company is also eligible for soft loans of 15 percent of total investments, representing the value of fixed investments plus the costs of stock for a productive cycle.

- For investments of between \$2.5 million and \$3.2 million, the outright grants stretch from a minimum of 15 percent to a maximum of 20 percent, and the soft loans from 35 to 50 percent.
- For investments of more than \$3.2 million, government grants range from 7 to 12 percent, and low-interest loans from 30 to 50 percent.

CIPE, on the basis of priorities in the national plan and within the range of the foregoing percentages, makes the case by case decisions on the final amount of grants and soft loans for each project. The three classes of investments also benefit from a further contribution equal to 10 percent of the cost of machinery and equipment included in the project if such machinery and equipment are manufactured in the Mezzogiorno. That offer also extends to the cost of equipment installed to combat pollution.

In order to obtain capital grants, the companies must demonstrate their own available financial resources exceeding or equaling 30 percent of planned total investments.



ENI 1971 Target of significance reached in a difficult year.

Sales: 1,865 billion lire (+16.5%) - Investments: 472 billion lire (+4.2%) - Employment: 76,335 persons (+6.4%)

More oil and more natural gas were produced by the ENI group in 1971. The production of crude oil in Italy and abroad (Tunisia, Iran, Qatar, Nigeria and the North Sea) reached 11.8 million tons (+23.5%), and of natural gas, in Italy only, 12.4 billion cu. m. (+24.5%). At the end of the year, AGIP and its associates were exploring for petroleum in 21 countries on leasehold areas totalling over 1 million sq. km.

Reinforcing the policy for autonomy in the energy sector on both Italian and European levels, increasing the availability of oil, particularly in the Mediterranean area, the opening of new opportunities for Italy to play a greater part in the context of international economics; these are the principal objectives ENI proposes and intends to pursue.

In order to contribute to a positive evolution of the complicated international oil situation, ENI has started a movement intended to open the way for European oil companies to take the initiative of direct dealing with producer countries of the Third World. The aim is to create a basic European policy under which direct negotiation between European consumer and the various producer countries may take place in the common interest which both sides have for maintaining balanced economic development. Within this context national oil companies of European consumer countries are called upon to assume positions of increasing commitment and responsibility with regard to energy imports.

In addition to its efforts in the petroleum sector, ENI is also active in the nuclear sector currently engaged mainly in exploration for uranium and production of fuel elements for nuclear power reactors, acting often in concert with other Italian and with foreign companies.

The natural gas transmission system of ENI in Italy was extended to a total of 9,714 km. by the end of 1971. An additional 5,000 kilometers are currently being constructed, engineered or planned. The new main trunks, laterals and spurs connected into the system in South Italy during the year were instrumental in increasing demand for natural gas for civilian uses, which rose to 27% of the total demand as compared with 24% the year before.

The importation of liquefied natural gas from Libya began, and projects were under way for constructing pipelines to import natural gas from Holland and the U.S.S.R. These are events which open a new era not only for strengthening security of supply for Italy, and incidentally for reducing potential atmospheric pollution, but also for stimulating development of a future common European energy policy.

More than 29 million tons of petroleum products were made available by the ENI group to markets in Italy and foreign countries. Retail sales of motorcar gasoline through group outlets in Italy rose 3.4%, an amount greater than that of total sales in the country.

In 1971, as in previous years, ENI continued to expand and rationalize group potentialities in refining, transport and distribution of petroleum products, aiming for an effective increase in efficiency and containment of operating costs.

An energetic stimulus for reinvigorating the national chemical industry is represented by the current ENI program to potentiate and diversify the productive structure of ANIC, the chemical processing and refining arm of the group.

Of particular interest in the development of this program are initiatives such as planning in concert with IFP for construction of the world's largest plant for production of synthetic protein from petroleum fractions, directly connected with zootechnical development; or the preparations for production of chemical products used in pollution abatement systems. Also in this program are the production of new types of plastic materials such as high density polyethylene, polypropylene, advanced types of fibers such as bi-component acrylics. Being planned are two new factories for fabricating 35,000 tons per year of plastic products, some of which are expected to find increasing use in the housing construction sector.

Furthermore, group potential in the man-made fiber field is to be greatly increased when the large complex now under construction in the Tirso Valley (Sardinia) is completed with capacity for producing more than 100,000 tons a year of acrylic and polyester fibers. This will be in addition to expanding capacity of the fiber facility at Piacenza (South Italy).

For the year of 1971, group chemical industry production held up well on the whole despite general weakness of the national economic situation. Exceptions were for synthetic rubbers, which fell slightly (-1%), and hydraulic cements (-11%). Chemical fiber production rose to 37,700 tons (+81%) due mainly to new units coming on stream; aromatics production gained 58% to total 161,500 tons, and synthetic resins totaled 223,000 tons (+33%). Fertilizer production was 342,000 tons (+1%).

The group textile sector, where a continual process of integration under LANEROSI has been in progress for several years, was able to satisfactorily maintain production and market position notwithstanding the economic crisis and associated labor agitation. There are still a number of critical problems to be faced in this sector by LANEROSI and its various subsidiaries, both because of the general unhealthy condition of the textile market and the particular exigencies connected with restructuring and technological updating of the mills which became part of the group in 1970. Outstanding results were reported for 1971, particularly by the ready-to-wear garment making and marketing affiliates of the group.

Activities in the engineering, construction and pollution abatement fields play an increasingly important role in group overall affairs. SNAM PROGETTI (engineer-constructor), SAIPET (construction-

well drilling, offshore work) and NUOVO PIGNONE (mechanical manufacturing, instrumentation) remained highly active during the year and were successful in acquiring substantial backlogs of work for the future, particularly in Algeria, Libya and Iraq.

TECNICO, a subsidiary company formed in 1971 for highly specialized engineering and development work in the field of environmental protection and pollution abatement, began intensive activity under an ENI program for eventual elimination of all sources of pollution connected with group systems and processes. The new company, which is also cooperating on ecology and environment problems with local regional authorities, has already obtained initial recognition abroad as well as in Italy from industries outside the group.

Heavy increases in costs, particularly for employment (+19.6%), and prices of raw materials and services (+17.7%), contrasting with a lesser gain in revenues (+14.6%), were significant characteristics of the group's consolidated income statement for 1971. The less florid increase in revenues resulted principally from the failure of certain new plants to be completed on schedule due to shortages and work stoppages stemming from labor troubles which afflicted practically the whole national industry during the year.

Consolidated sales of goods and services by the group totalled 1,865 billion lire (+16.5%). Excise taxes on these sales summed up to 521.4 billion lire leaving net sales of 1,343.6 billion lire (+14.6%). Value added amounted to 638.7 billion lire (+10.7%). The total value of fixed assets was 2,392.1 billion lire on which (excluding plants still being constructed for 498.3 billion lire) accumulated depreciation and depletion allowances reached the equivalent of 48.7% at year-end.

The annual consolidated writedoff for depreciation and depletion for the year 1971 amounted to 181.7 billion lire (-4.5%) from the amount the previous year. New investments in property, plant and equipment totalled 472.4 billion lire (+4.2%).

Investments during the next five-year period are expected to rise to a point where the value of consolidated group fixed assets should be about double the amount shown for 1971.

The total paid-in capital investment of the Republic of Italy in ENI, the holding and parent company of the group, at the end of 1971 was 683.9 billion lire, equal to approximately 20.2% of the group fixed assets.

At December 31, 1971, the employees of the ENI group were 76,335 more than the year before for a total of 76,335 persons, 11,716 of which were working abroad. Of the total employment by the group in Italy, it is notable that 27.6% were working in the South.

For further information in the United States, contact: AGIP U.S.A. Inc., 437 Madison Ave., New York 17022, Tel.: (212) 758-4650 New York.

ENI GROUP—CONSOLIDATED INCOME STATEMENT

	1970	1971
	(Billion lire)	(Billion lire)
REVENUES		
Sales of:		
Petroleum products and natural gas	1,243.5	1,462.1
Engineering and construction services	53.4	69.1
Total petroleum sector	1,296.9	1,531.2
Non-petroleum and other	15.9	17.2
Textiles	95.5	86.2
Mechanical products	38.5	43.3
Others	12.5	21.3
	1,601.2	1,699.0
Interest and dividends	22.1	32.4
Other income	26.7	10.1
Extraordinary non-recurring income	—	10.2
Gross revenue	1,670.0	1,851.9
COSTS, EXPENSES AND TAXES		
Cost of employment	212.7	292.6
Operating and general expenses	549.9	633.0
Finance costs	470.8	521.4
Depreciation, depletion and amortization	193.2	181.7
Interest and other financial charges	73.1	100.2
	1,500.7	1,728.9
Gross income	169.3	123.0
Income taxes	23.9	31.0
Consolidated net income	145.4	92.0
Income accruing to minority interests	6.5	8.0
Net income according to ENI	151.9	100.0

ENI GROUP—CONSOLIDATED BALANCE SHEET

	1970	1971
	(Billion lire)	(Billion lire)
ASSETS		
CURRENT ASSETS		
Cash	73.8	129.0
Marketable securities	46.8	123.4
Customers' notes and accounts receivable	408.4	430.9
Other receivables	219.8	214.8
Advances and prepaid expenses	6.0	12.1
Inventory	241.5	285.7
Current portion of capital receivable for authorized increase in appropriations investment of the State	203.0	305.8
Other current assets	8.7	7.8
Total current assets	1,810.9	1,595.7
INVESTMENTS		
Non-consolidated equities	28.3	30.4
Interest-bearing securities	4.2	4.5
Capital receivable for authorized but unpaid appropriations investment, net of current portion shown above	27.5	24.9
Property, plant and equipment	2,903.0	3,244.7
Less accumulated depreciation and depletion	1,247.2	1,396.7
Prepaid and deferred charges	1,655.3	1,658.0
	71.2	72.1
TOTAL ASSETS	3,085.4	3,061.7
LIABILITIES		
CURRENT LIABILITIES		
Notes and loans payable to banks	323.8	453.4
Current portion of long-term debt	117.9	199.3
Accounts payable to suppliers	232.7	244.4
Other accrued liabilities	212.5	254.7
	1,067.9	1,151.8
LONG-TERM DEBT		
Debentures	630.5	653.5
Notes payable to special credit institutions and other bank debts	414.6	629.1
Less current portion shown above	122.9	199.3
	592.2	1,083.3
PROPRIETARY CAPITAL AND RESERVES:		
Total authorized appropriations investment of the State including appropriations not yet received	77.3	1,075.9
Statutory reserve fund	1.3	2.1
Special reserve fund	0.5	0.5
Funding of interest-bearing securities	0.5	0.5
Undistributed net income (ENI)	29.9	100.0
	909.5	1,189.0
TOTAL LIABILITIES	2,077.4	2,340.7

italian steel

FINSIDER GROUP

all the products of the steel industry

Italsider-Genova

Dalmine-Milano

Terni-Roma

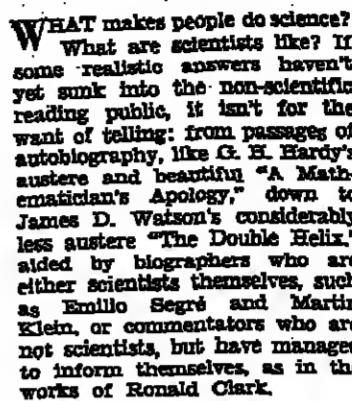
Siderexport



BOOKS

By Mitchell Wilson. Doubleday & Co. 209 pp. \$10.

Reviewed by C.P. Snow



By Alan Truscott

One no-trump doubled would have been a disaster for East-West, but most experts treat the double of a one no-trump response as an exception to the general rule that doubles of no-trump are for penalties, so North had to select a suit. He bid two clubs, keeping the door open to the red suits at the two level. However Kortay hid an uninhibited three no-trump, and West led the spade five.

Dummy produced three points as much as South could expect

There were 17 points missing, and the bidding strongly suggested that West held 11 or 13 and East five or six. When East won the first trick with the spade ace it was clear that West held both red kings, so South immediately

decided not to attempt
diamond finesse. As can be seen
his decision to play the diamond
ace at some point is good for
three tricks in the suit.

The defense was not the best for West captured the spade jack with the king at the second trick and led a low club. This gave South three tricks in that suit and he had no trouble in making

one spade trick, two heart tricks,
three diamonds, and three clubs.

Solution to Friday's Puzzle

L	A	D	D	A	D	D	O	N	R	A	P	E
O	L	I	O	N	J	O	B	E	U	P	O	N
F	L	O	R	E	M	Z	Z	I	E	G	F	E
T	Y	R	L	A	Z	E	A	F	R	O	S	

WILLY HARRIS
DEEDS SINAI OIL
ALASKAN PURCHASE
MET OBOES ANAS
RHOMBUS TUSSELE
GOAT GASH
AROID SAME PAS
FULTON SCLERMONT
ALLE ORALS ASTO
REAR WORST REAP

Solution to Friday's Puzzle

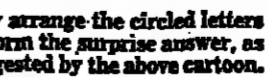
L	A	D	D	A	D	D	O	N	R	A	P	P	
O	L	I	O	N	L	O	R	E	U	P	O	N	
F	L	O	R	E	N	Z	I	E	G	F	I	E	L
T	Y	R	L	A	Z	E	A	F	R	O	S		
			W	I	L	I	M	A	R	L			
A	E	A	S	T	E	L	L	E	R	S			
D	E	E	D	S	I	N	A	L	O	I	L		
A	L	A	S	K	A	N	P	U	R	C	H	A	S
M	E	T	O	B	O	E	S	A	N	A	S		
			R	H	O	M	B	U	S	T	U	S	S
					B	O	A	T	G	A	S		
A	R	I	D		S	A	M	E	P	A	S		
F	U	L	T	O	N	S	C	R	A	L	E	M	O
A	L	L	E		O	R	A	L	S		A	S	O
R	E	A	R		W	O	R	S	T		R	E	A

CROSSWORD

By Will We

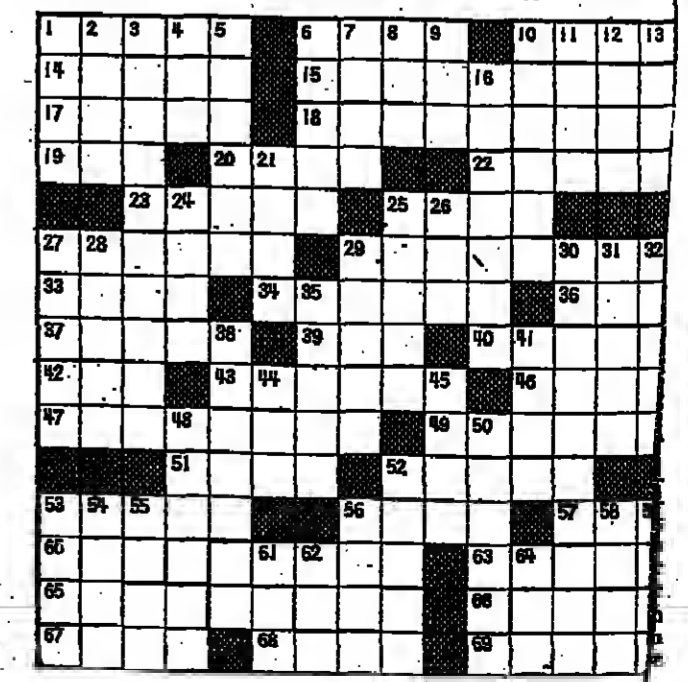


Unscramble these four jumbles, one letter to each square, to form four ordinary words.



Answers: BERTH NIPPY MAINLY COLUMN
 Answer: MEN IN PORT are conspicuous - "PROMINENT"

ACROSS		DOWN	
1 Shock	53 Small mountain	16 Gown	adornments
6 Certain party	56 Economic expansion	21 Figure-skating jump	
10 Aid	57 Rowan of "Laugh-in"	24 Chopin, for one	
14 Miss Nixon, movie voice	60 Certain dupe	25 Shelters	
15 Caneau	62 Yield	26 Chess	
17 F.B.I. poster word	65 "Good Morning, _____"	27 Characteristic	
18 Lear specialties	66 Fantasy	28 Word for Dolly	
19 Haw's partner	67 Baseball spot	29 Louts	
20 Old god	68 Oh, my!	30 Kind of tax	
22 Search	69 Part of what etc. means	31 Muse	
23 Type of glue		32 "Pinhead" or "Rabbit"	
25 Part of speech		35 "Awake and Sing" author	
27 Sovereignty		38 Rope-aided cliff descents	
28 Credulous one		41 Egyptian god	
31 Sincere		44 Shetland miter	
34 Detach		45 British river	
35 "Who do you think you _____"		48 Literary form	
37 Kind of ego		50 Greek letter	
38 Downy		52 Parcels out	
44 Certain days		53 Shindig	
46 Corse, for one		54 Capable of	
48 Distincted		55 Mine car	
49 Fonteyn costume		56 Bur, language	
50 Dreads		58 Turkish chiefs	
51 Paul Bunyan's Babe		59 Nautilus capital	
51 Mimics		61 U. S. agency: Abbr.	
52 Situation of conflict		62 Kind of painting	
		64 Vase	



هكذا امت الأهل

